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# THE Demand and Price SITUATION

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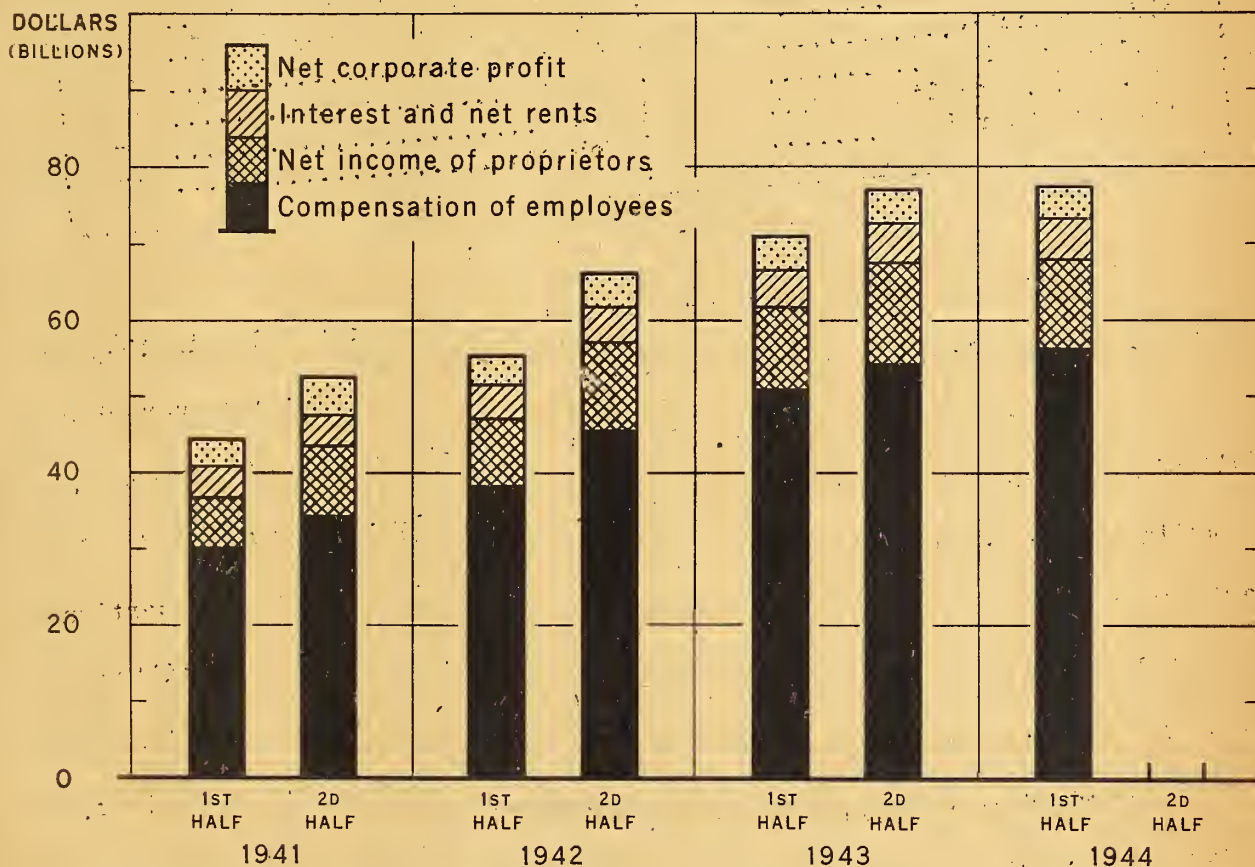
BUREAU OF AGRICULTURAL ECONOMICS  
UNITED STATES DEPARTMENT OF AGRICULTURE

WASHINGTON, D. C.



OCTOBER 1944

## NATIONAL INCOME BY DISTRIBUTIVE SHARES, UNITED STATES, 1941-44



U. S. DEPARTMENT OF AGRICULTURE

NEG. 43919 BUREAU OF AGRICULTURAL ECONOMICS

The national income for the first half of 1944 was 77.5 billion dollars. This is only 0.5 percent larger than the income for the second half of 1943 and 9.5 percent than that for the first half of 1943. These are the smallest increases since the beginning of the war. The war-time expansion of the economy of the country is now probably near its peak.

THE DEMAND AND PRICE SITUATION

C O N T E N T S			
	Page		Page
Demand for Farm Products...	2	Wheat .....	10
Commodity Prices.....	3	Fruit .....	10
National Income.....	4	Truck Crops .....	11
Farm Income and Prices ....	5	Potatoes and Sweetpotatoes..	12
Livestock and Meats.....	6	Dry Edible Beans and Peas...	13
Dairy Products.....	7	Sugar .....	14
Poultry and Eggs .....	8	Cotton .....	15
Fats, Oils, and Oilseeds...	8	Wool .....	17
Corn and Other Feed .....	9	Tobacco .....	17

DEMAND FOR FARM PRODUCTS

The total demand for farm products will be almost as high in 1945 as in 1944, and supplies of most products should be taken at prices averaging only slightly below those of 1944. Reductions in the output of war goods, following the end of hostilities in Europe, are likely to be accompanied by a decline in the national income as a result of reduced employment, particularly overtime, in a number of important industries. Consumer expenditures are not likely to drop as much as national income, and the domestic demand for many farm products, at ceiling prices, may continue to exceed supplies. Commodities which were relatively plentiful in 1944 are likely to sell at somewhat lower prices in 1945 if supplies are maintained at levels reached during this past year. Some military and lend lease demands for farm products are also likely to be smaller in 1945, following the defeat of Germany, but food and clothing needed for the rehabilitation of Europe and other areas will tend to maintain exports of agricultural products.



Nonagricultural incomes are likely to be lower in 1945 than in 1944.

The reduction in industrial production which will follow the defeat of Germany will cause a substantial decline in the present payments for overtime work. Also, there will be some shifting of labor from high wage to lower wage industries.

Declining demand, together with an unprecedentedly large production of agricultural products in 1944 and a large carry-over of certain products into 1945, is likely to cause some reduction in the prices received by farmers in 1945. This will, of course, be limited by the operation of the Stabilization Act of 1942, which provides for the extension of price supports at not less than 90 percent of parity to "basic" and "Steagall" commodities for at least two years after the end of the war.<sup>1/</sup> These commodities have accounted for about two-thirds of cash farm income in recent years. The prices of some of the things purchased by farmers, particularly food for family living and feed for livestock, probably will decline. As a result, the index of prices paid, interest, and taxes is likely to be slightly lower in 1945 than in 1944.

-- October 17, 1944.

#### COMMODITY PRICES

The stability of prices of most commodities, which has been maintained during the last two years, will probably continue in 1945. Declines in the wholesale prices of farm products may be more than offset by increases in the prices of other products. Consequently, a slight rise in the index of wholesale prices of all commodities is possible.

This index<sup>2/</sup> was 77.1 for 1939, 103.1 for 1943, and averaged 103.9 for the first 8 months of 1944. The greatest increase in prices for any of the groups of commodities making up the index has been for farm products. Wholesale prices of farm products averaged 88.5 percent higher for the first 9 months of 1944 than for the calendar year 1939, and 16.2 percent higher than

<sup>1/</sup> The support is 92.5 percent for cotton.

<sup>2/</sup> Bureau of Labor Statistics, 1926 = 100.

in 1942. However, for the 6-month period April to September 1944, they have averaged about 1 percent lower than in the corresponding period of 1943. Next to farm products, raw materials have advanced most in price during the present war. During the first 8 months of 1944, prices of raw materials were 61.1 percent above their 1939 average and 12.4 percent above 1942. In contrast, the prices of semimanufactured articles increased only 21.7 percent from 1939 to 1944, and 1.2 percent from 1942 to 1944.

The wholesale prices of farm products are likely to be moderately lower in 1945. Large current supplies have already caused a slight decline in recent months. The prospective decline in demand when fighting ends in Europe will cause further weakness in these prices. Prices of semimanufactured and manufactured articles have risen very little in the last two years and the supply of many such articles for civilian use is insufficient to meet the demand at present prices. Government price controls will prevent price rises for most products, but such changes as are permitted under existing regulations are more likely to be increases than decreases.

The costs of living in large cities have been increasing very slowly in recent months. The index for August 1944 was 126.3 <sup>3/</sup> as compared with 122.8 in March. Both food and nonfood costs have risen during this period, food costs from an index of 134.1 in March to 137.7 in August, and nonfood costs from 118.5 to 120.4. However, food costs during the first 8 months of 1944 have averaged 1.8 percent lower than for the corresponding period in 1943, while nonfood costs have been 3.7 percent higher. Food costs probably will be somewhat lower in 1945, but nonfood costs seem likely to be slightly higher.

#### NATIONAL INCOME

The national income for 1945 is likely to be somewhat lower than in 1944, because of the reduction in Government expenditures following the end of the war in Europe. It is not likely that production for civilian purposes will be increased as rapidly as production for war is reduced; consequently, the total national output of goods and services will be lower.

Already there is considerable evidence of a leveling off in the war-time rise in national income. The income for the first half of 1944 totaled 77.5 billion dollars, which is 9.5 percent above the income for the first half of 1943. This is the smallest increase since the beginning of the war and compares with a gain, for the first half of each year, of 28 percent from 1942 to 1943, and 25 percent from 1941 to 1942.

The expenditures of the Federal Government for war purposes during the first half of 1944 were 43.1 billion dollars or 44 percent of the gross national product of the country. War expenditures for the first half of 1944 were nearly 9 percent greater than during the corresponding period of 1943, but the proportion of the gross national product which they absorbed was very nearly the same in both periods.

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<sup>3/</sup> Bureau of Labor Statistics, 1935-39 = 100.



The gross national output available for private use in the first 6 months of 1944 amounted to 47.3 billion dollars. This is larger than the amount available in the corresponding period of any of the three previous years, by 2.5 to 3.3 billion dollars. Expenditures for consumers' goods and services increased even more than this. Total expenditures for the first half of 1944 were 46.3 billion dollars, which is 11.1 billion more than for the corresponding period of 1941. Consumer expenditures for durable goods during this period decreased 1.7 billion dollars, but those for nondurable goods increased 10.2 billion and for services 2.7 billion dollars.

#### FARM INCOME AND PRICES

Total cash receipts from farm marketings in 1945 may show a drop of about 5 percent compared with 1944. It is expected that there will be only slight decline in receipts from crops, but the decrease in income from livestock and livestock products may be much greater. Present information indicates a decline of about 20 percent in receipts from hogs and a drop of 10 to 15 percent in income from poultry and eggs.

Cash receipts from farm marketings for 1944 are estimated at 19,772 million dollars, 3 percent above the cash income of 19,252 million dollars in 1943. Receipts from crops are expected to be about 8 percent greater than in 1943, and income from livestock and livestock products may be 1 percent lower than last year. Greatest gains over 1943 will be made by food grains, because of the large wheat crop. Receipts from cattle and calves and dairy products will be slightly above last year, but income from poultry and eggs and sheep and lambs will be down.

The volume of production for sale and home consumption of total farm marketings will be about 3 percent greater than in 1943. Volume of crops will be up 9 percent, and livestock and livestock products will show no appreciable change.

Current estimates place cash receipts from farm marketings for October at 2,255 million dollars, 15 percent above September and about the same as October 1943. Receipts from crops amounted to about 1,260 million dollars, 1 percent above October last year, and income from livestock and livestock products was about 995 million dollars, a drop of 1 percent compared with the same month in 1943.

Total receipts from farm marketings for the first 10 months were 16,170 million dollars, which is 6 percent above 1943. Crops showed an increase of 7 percent and livestock rose 5 percent.

The tentative estimates for the period January through October by commodity groups are shown below in comparison with cash receipts for the same period in 1943 and the average for 1938-42.

Commodity group receipts, January through October

Commodity group	: 1938-42 : : average : : Mil. dol.	: 1943 : : Mil. dol.	: 1944 : : Mil. dol.
Receipts from marketings .....	8,072	15,307	16,170
All crops .....	3,307	6,144	6,574
Food grains .....	520	813	1,032
Feed grains and hay .....	451	812	884
Cotton and cottonseed .....	595	987	829
Oil-bearing crops .....	145	512	402
Tobacco .....	242	395	495
Vegetables .....	642	1,398	1,385
Fruits and nuts.....	446	890	1,168
All livestock .....	4,765	9,163	9,596
Meat animals.....	2,411	4,795	5,145
Dairy products .....	1,418	2,312	2,447
Poultry and eggs .....	793	1,866	1,814

Cash receipts of 1,953 million dollars for September were 16 percent above the income of 1,690 million dollars in August and 1 percent above the receipts of 1,935 million dollars in September 1943. The total volume of farm marketings increased in September because of greater sales of crops, particularly, cotton oil-bearing crops, and tobacco.

The slaughter of cattle and calves under Federal inspection in September was slightly below August, but hog slaughter was the smallest for any September in 3 years and about 15 percent below August. The slaughter of sheep and lambs in September gained 4 percent.

#### LIVESTOCK AND MEATS

Demand for meat may not be as strong during the first half of 1945 as in the same period a year earlier because of possible reductions in military purchases, mainly beef, and some lessening of civilian demand. But with the prospect of a smaller over-all meat output, prices for all meat animals probably will continue at comparatively high levels throughout the first 6 months of the year. Prices for hogs may be higher than a year earlier. Cattle and lamb prices may be about the same.

Hog prices may continue at or near ceilings throughout the winter and spring. The Government has announced that there will be no decrease in the present ceiling prices for live hogs prior to June 30, 1945. With a 24 percent smaller spring pig crop this year than last and with an even larger reduction in this year's fall pig crop, pork output in the remaining months of this year and in the first half of 1945 will be materially smaller than the record production a year earlier. Military and lend-lease requirements for pork will be large and civilian pork supplies will be much smaller than a year earlier. Effective demand for pork will exceed the supply at ceiling prices.



Marketings of cattle and calves may be at record levels throughout the remaining months of 1944 and the first half of 1945. Total cattle and calf slaughter in 1944 may total about 34 million head compared with almost 28 million head in 1943. Slaughter of cattle may be 10 percent larger this year than last. Calf slaughter may be 45 percent larger. Despite a larger total cattle slaughter throughout all of this year than in 1943, the number of well finished cattle marketed during the summer and early fall was smaller than a year earlier. The number of cattle on feed in 8 Corn Belt States on August 1 was the lowest in 7 years and was 41 percent smaller than on August 1, 1943. There was a large movement of cattle to feed lots after that date. Present indications are that a larger number of cattle will be fed this fall and winter than a year earlier.

In January-June 1945, slaughter lamb prices may average about the same as a year earlier. Demand for lamb probably will be strong enough to keep lamb prices at or near ceiling levels. With a smaller lamb crop this year than last and the prospect of a smaller slaughter of yearlings and mature sheep than in the first half of 1944, the output of lamb and mutton will be smaller. Ewe prices probably will be materially lower during the first half of 1945 than a year earlier, reflecting lower prices for shearling pelts because of reduced military requirements.

#### DAIRY PRODUCTS

The 1945 demand for dairy products in the aggregate is expected to exceed available supplies at prevailing prices even if military and export takings are reduced. Assuming a moderate decline in consumer incomes, demand for fluid milk and cream may decline. However, in 1944 the demand exceeded supply and little, if any, drop in per capita consumption is expected in 1945. The demand for manufactured products will continue strong and probably will outrun available supplies at present prices. Civilians probably would consume at least 115 billion pounds of milk equivalent in 1945. This amount would be 5 to 15 percent in excess of the total supply that will be available to civilians in 1945.

Milk production in 1945 may reach 119 billion pounds, about the same as the record output in 1942, if returns to dairy farmers, including dairy production payments, are held at 1944 levels. If present price relationships are continued, more milk may be diverted from butter to manufactured whole milk products. This may result in a slightly smaller production of creamery butter in 1945 than the unusually low production of 1.5 billion pounds which is expected in 1944. However, production of manufactured whole milk products, especially evaporated milk and dried whole milk, is likely to be increased.

Prices received for wholesale milk and the farm price of butterfat probably will remain about the same in 1945 as in 1944. Returns to dairy farmers may be slightly larger in 1945 than in 1944, because of the expected added billion-pound production.

## POULTRY AND EGGS

Lend-lease requirements for dried eggs in 1945 will probably decline significantly from that of the 3 preceding years, when about 15 percent of the total egg production went for dehydrating purposes. Since the number of layers on farms January 1, 1945, will probably be 7 to 10 percent less than a year earlier, production of eggs in 1945 is expected to be 8 to 12 percent less than in 1944. But with stocks of egg products, including Government-owned stocks, large, more eggs may be available in 1945 for civilians than in any previous year. Per capita consumption of eggs in 1945 may exceed that in 1944, which is tentatively estimated at a new record of 347 eggs. This compares with a pre-war (1935-39) average per capita consumption of 298 eggs.

Prices received by farmers for eggs during 1944 probably will average about 34 cents per dozen, 93 percent of parity. Some slight decline from this average price may take place in 1945.

Demand for poultry during 1945 may be slightly lower than in 1944. But supplies of poultry meat will be less owing to a smaller number of layers on farms. Also because of expected slightly lower egg prices, during the first quarter of 1945 than in corresponding period of 1944, the number of chickens raised in 1945 is expected to decline from the 1944 number of 746 million birds. Accordingly, the number of chickens marketed in 1945, excluding broilers, will show an appreciable drop from that of 1944. Broiler production, however, because of larger feed supplies, is expected to increase in 1945 over 1944. Prices received by farmers for poultry meat will probably not be much different in 1945 from those in 1944, and wholesale and retail prices for chicken are expected to be at or near ceiling levels.

Civilian consumption of turkey meat in the 1930's was on the upward trend, but this trend was unsatisfied during the last couple of years because of large military takings. Even if military needs are reduced and there is a slight increase in turkey production during 1945, civilians probably would still be in a position to absorb all supplies at 1944 prices.

## FATS, OILS, AND OILSEEDS

World demand for fats and oils probably will continue strong in 1945 and 1946 in relation to available supplies, and this will tend to support prices of fats and oils and oilseeds at levels higher than pre-war relative to prices of most other agricultural products. Wholesale prices of fats and oils in the United States probably will remain mostly at or near ceiling levels during the rest of 1944 and during 1945. A moderate decline may occur in 1946, but a major recession in fats and oils prices is not likely until Far Eastern supplies of coconut, palm, palm kernel, peanut, and soybean oils reach world markets in volume. Pre-war exports of these commodities (including oilseeds in terms of oil) from the Far East averaged about 3-1/3 billion pounds annually.

Production of fats and oils in the United States from domestic materials in 1944-45 may be around 10 billion pounds, approximately 1-1/4 billion pounds less than a year earlier but nearly 2 billion pounds more than in 1939. The total supply of fats and oils in the United States in 1944-45, including



imports and beginning stocks, may be about 700 million pounds less than a year earlier. Total demand probably will be at least as strong as a year earlier. Domestic demand may decline somewhat, but export demand is likely to increase with expanding facilities for shipping and distributing civilian goods to the liberated countries of Europe.

Export demand probably will continue high in 1945-46, but will depend to a considerable extent on international financing arrangements.

Disappearance of fats and oils in the United States in 1944, exclusive of the fat content of exported margarine, shortening, and soap, is estimated at 10-1/4 billion pounds, up 1/4 billion pounds from 1943. In 1945, a tight supply situation in lard, and possibly also in linseed oil and edible oils, is expected to reduce domestic disappearance below the 1944 level.

#### CORN AND OTHER FEED.

A relatively large supply of feed grains per animal is in prospect for the 1944-45 feeding year. Prices of feed grains may average slightly lower in the 1944-45 crop year than in 1943-44. The extent of the decrease will be limited by strong demand from the large numbers of livestock still on farms and by Government price supports for corn and wheat.

The supply of feed grains for 1944-45 will total about 131 million tons, on the basis of October 1 indications. This would be the third largest on record, being exceeded only in 1942 and 1943. The supply of feed grains per animal unit on farms next January 1 is indicated to be considerably larger than in 1943-44, and reserves may be built up somewhat from the level of 10.8 million tons reached at the end of the 1943-44 crop year. Demand for feed grains in 1944-45 is expected to decline moderately, but the rate of disappearance per animal throughout the year may continue high.

Indications are that supplies of high-protein and other byproduct feeds will be slightly larger in volume, and larger per animal unit in 1944-45 than a year earlier. Deficit areas should experience less difficulty in obtaining adequate supplies of feed concentrates for livestock in 1944-45. Some decrease in demand is in prospect for byproduct feeds, and prices for some byproduct feeds may decline.

Hay supplies for 1944-45 are smaller than in 1943-44, and, because the number of hay-consuming animals probably has not declined materially in 1944, the demand for hay may be about the same in 1945 as in 1944. Hay prices may average somewhat higher in 1945 than in 1944, but will continue considerably under parity.

Prices of oats, barley, and grain sorghums declined sharply during the month ended September 15, as relatively large quantities of new-crop grain became available, and as prospects improved for a large corn crop. Supplies of corn in commercial channels continued small, however, and corn prices at primary markets remained at ceilings. Prices of oats, barley, and grain sorghums in early October were slightly higher than the mid-September levels.



## WHEAT

An announcement on September 24 that the War Food Administration, through the Commodity Credit Corporation, will offer to purchase all unredeemed 1944 crop wheat still under loan May 1, 1945, at parity prices (1944 loan rates plus 15 cents per bushel), less carrying charges to the end of the storage year, has been largely responsible for an advance in wheat prices during the past month and provides assurance to growers of relatively high prices for their unmarketed 1944 crop of wheat. Wheat prices on October 17 were generally 6 to 12 cents above a month earlier, 0 to 8 cents below present ceilings, and 5 to 17 cents above the Commodity Credit Corporation's current purchasing level.

The general supply and distribution prospects for 1944-45 remain essentially unchanged from a month ago, pointing to a likely carry-over July 1, 1945 not greatly different from the 315 million bushels July 1, 1944. The large prospective requirements are expected to about take up the large 1944 production. State wheat acreage goals for 1945 total 68.6 million acres for the country as a whole, an increase of about 1.9 million above the acreage seeded for the 1944 crop. Assuming average yields, such an acreage would produce a crop of about 845 million bushels. The size of the wheat disappearance in 1945-46 will depend to a great extent on the progress of the war, but a crop of this size, together with a limited reduction in carry-over, is expected to cover requirements. Looking ahead with regard to price, the Agricultural Adjustment Act of 1938 and subsequent legislation provide price-support loans at 90 percent of parity on wheat harvested during the war and in the 2 calendar years following the proclamation that hostilities have ceased. With the support program continued, domestic wheat prices in 1945-46 are expected to average about the same as in 1944-45. This assumes average yields on the goal acreage, and considers probable requirements.

## FRUIT

Prices received by farmers for most deciduous fruits of the 1944 crop are averaging slightly below those received for the short 1943 crop, but still more than twice the averages for the 5-year 1935-39 period. In contrast, prices received by farmers for citrus fruits of the 1943-44 crop, the marketing of which is nearly completed, averaged slightly above the prices for the preceding crop, and, in the case of oranges and grapefruit, also more than twice the averages for the 1935-39 period. The relatively high prices this year are in reflection mainly of continued high consumer purchasing power and large noncivilian demand.

Prices for most fresh deciduous fruits declined during summer as increasing quantities were marketed, yet were near the levels prevailing in the summer of 1943. Prices for apples, pears, and table grapes were fairly steady at or near ceiling levels during most of September and early October. Prices for these fruits are likely to increase seasonally this fall and winter. Prices for this year's short crop of cranberries -- 356,500 barrels, or 48 percent smaller than last year -- are expected to average considerably above the prices for the 1943 crop. Season opening prices on the New York City auction market for new-crop (1944-45 season) oranges and grapefruit from Florida were near the levels of opening prices a year ago, but because these crops were damaged by the recent hurricane, prices are expected to continue strong this fall, probably advancing more than seasonally.

Prospective civilian supplies of fresh fruit for the 1944-45 season are slightly larger than last season. Similar supplies of frozen fruits and canned fruit juices are somewhat larger this season than last, whereas those of canned and dried fruits are slightly smaller. However, the actual quantities of the different classes and kinds of fruits available to civilians throughout the season will be conditioned by the extent to which the Government procures the fruits that it now estimates it will require.

Total production of fruit in 1944 is expected to aggregate approximately 16 million tons -- the largest on record. The aggregate tonnage of the eight major deciduous fruits is indicated to be 20 percent larger than the comparable tonnage in 1943 and 8 percent larger than the 10-year (1933-42) average. The 1943-44 crop of citrus fruit, most of which was marketed in 1944, was 13 percent larger than the 1942-43 crop and about 54 percent larger than the 10-year average. The new 1944-45 citrus crop, the marketing of which is just getting under way, may now aggregate somewhat smaller than the record 1943-44 crop because of hurricane damage to the crop in Florida but still be somewhat larger than the previous record 1942-43 crop. Aggregate production of the major deciduous fruits is likely to be slightly smaller in 1945 than in 1944 if average growing conditions prevail.

In consideration of the continued large total supplies of fruit in prospect for 1945, prices for fruit next year probably will be near the relatively high levels of 1944, but may average lower if fighting in Europe ends by next spring. A shift from the production of war goods to civilian goods is expected to be accompanied by a reduction in demand for fruit. Furthermore, in following years, even with a strong demand, prices for fruit are likely to average below the relatively high levels attained during the war period, because of expected further increases in production, particularly of citrus fruit.

#### TRUCK CROPS

Prices received by farmers for commercial truck crops for fresh market shipment in 1944 probably will average approximately 10 percent lower than in the peak year 1943. The total tonnage of fresh market truck crops produced in 1944 will be the largest on record. Nevertheless, the strong wartime demand maintained prices at a relatively high level, substantially higher than in 1942. The index of truck crop prices for 1944 probably will average at least 10 percent higher than the index for all farm products and around 30 percent higher than the index of wholesale prices for all commodities. If hostilities in Europe end by next spring, the downward movement of prices for truck crops which started in 1944 may be expected to continue through 1945 unless supplies are considerably lower than in 1944.

Prices received by farmers for fresh market truck crops in September of this year were about 7 percent lower than a year earlier, reflecting record large summer supplies of fresh vegetables. The weighted average price for 14 important fresh vegetables on the New York City wholesale



market for the week ended September 30, 1944, was 14 percent lower than for the corresponding week a year earlier. They were, however, 14 percent higher than for the last week of August of this year, indicating an upward seasonal movement which usually starts in September and continues through December. Prices for fresh market vegetables during the late fall are expected to advance seasonally. The increase will probably be more than seasonal for certain crops (such as snap beans and cucumbers) the supply of which was materially reduced by the recent hurricane in Florida.

There will be some variation in the prices of individual vegetables this fall season compared with a year earlier. Fall tomatoes, for instance, which will be in shorter supply, may be expected to be higher in price. The shipping point price per lug for Green wrapped tomatoes, 6x6 and larger, 85 percent or more U.S. No. 1, was \$2.67 for the week ended October 7 compared with \$1.85 for the corresponding week a year earlier. Other vegetables expected to be in smaller supply than a year earlier include lima, beans, carrots, cauliflower, early fall spinach, celery, snap beans and cucumbers. The shipping point price per ton, sacked, of cabbage, Danish-type at Rochester, New York, was \$37.00 for the week ended October 7 compared with \$47.00 for the corresponding week a year earlier. In addition to cabbage, lettuce and early fall green peas are to be in larger supply this fall than a year earlier.

The planted acreage of cauliflower for harvest in the winter of 1945 is indicated to be 10,150 acres, or 8 percent more than a year ago. Prospective plantings of winter kale are 36 percent below the 1944 acreage, largely due to damage from the hurricane of September 14. The intended planting of early spring onions in Texas is 79,600 acres or 13 percent more than the 1944 acreage and 75 percent above the 1934-43 average. The acreage of asparagus for harvest in the spring of 1945 is 3 percent below the 1944 acreage, according to intention reports.

The production of commercial truck crops for processing in 1944 is now indicated to be about 9 percent larger than in 1943. This would be about 5 percent less than the record crop of 1942 but 58 percent larger than the 5-year (1935-39) average. This large expansion in production of truck crops for processing was in part to meet Government requirements in connection with the war, and it is expected that between 30 and 40 percent of the 1944-45 pack of canned vegetables will be taken by the Government. Should the war in Europe end before spring, non-civilian requirements may be less than one third of the total 1945 pack. While the price for some truck crops for processing may be lower in 1945 than in 1944 it appears that they will on the average be fairly well maintained through 1945 with some decline likely in 1946.

#### POTATOES AND SWEETPOTATOES

Prices for the higher grades of potatoes during most of the fall and winter months probably will approximate maximum prices established by the Office of Price Administration. The September 15, 1944, average price received by farmers of \$1.47 per bushel was 13 cents higher than a year earlier and the highest September 15 price since 1921. The maximum price varies for different States and increases by months through May of 1945. The range in ceiling prices for November for different States or areas is from \$2.05 to \$2.60 per 100 pounds. This is equal to \$1.23 to \$1.56 on a bushel basis.



The 381 million-bushel 1944 crop, although the second largest crop since 1934, will, as a result of the present estimates of noncivilian requirements, provide civilians with a relatively low, if not a record low, per capita supply for the 1944-45 season. Prices during the early spring of 1945 will depend to a considerable extent on the rate of civilian consumption and the utilization of the 303 million-bushel 1944 late potato crop. This is the most important source of supply of potatoes throughout the fall, winter, and early spring months. Prices during the spring will also be dependent upon the size of the early potato crop, marketings from which reach sufficient volume in late spring to have an important influence on prices in contrast to the decreasing volume of marketings from the preceding late crop. There is a relatively small difference between O.P.A. ceiling prices and basic prices used in the 1944 late potato price-support program during the fall months. For instance, the maximum price for New York State for December 1944 is \$2.60 per 100 pounds, while the basic support price for New York State, other than Long Island, for December 1944, is \$2.40. Since there is no change in the support price for potatoes after December 1944, the amount of difference between ceiling and support prices will increase by the amount of the increase in ceiling price during January, February and March of 1945. Loans are available up to December 15, 1944, under the 1944 Irish Potato Loan Program, and provide the only means for obtaining support prices on the 1944 crop after December 31, 1944.

Prices for potatoes of the 1945 crop may be expected to be somewhat lower than in 1944 if the war in Europe ends by the spring of 1945. An acreage of potatoes in 1945 similar to that planted in 1944 might be expected, with average yields, to produce a crop of between 390 million to 400 million bushels. Under such conditions, prices might be expected to be nearer the support level than the ceiling if such support and ceilings are similar to those in effect for the 1944 crop.

Prices for sweetpotatoes during the winter season are expected to average lower than the high prices of a year earlier, due in part to larger crops in some of the important shipping States, including Virginia, Maryland, and New Jersey. The ceilings for this year's crop were established at a somewhat lower level than those existing last year under the temporary freeze order of the Office of Price Administration. This year's crop is estimated at 73,465,000 bushels, only slightly larger than a year ago but about 9 percent larger than the 10-year (1933-42) average.

#### DRY EDIBLE BEANS AND PEAS

The price support program for dry edible beans continued to be reflected in the September 15 average price received by farmers of \$6.22 per 100 pounds. This is the highest September 15 price since 1929. The price in September 1943 averaged \$5.71 per 100 pounds. The price for the 1944 crop is expected to reflect the support price level and to average slightly higher than the price in 1943. The price for the 1945 crop is also expected to reflect the support price, which will be at least 90 percent of parity.

Further details of the support-price program for the 1944 crop of beans have been announced, and the prices f.o.b. car at country shipping points per 100 pounds, U.S. No. 1 beans, cleaned and bagged, vary for different varieties from \$6.375 to \$8.00, although \$6.50 is the price for the most common varieties. Purchases under this program will be made through June 30, 1945.

The 17,114,000-bag crop estimated for 1944 is 19 percent smaller than the 1943 crop but 13 percent larger than the 10-year (1933-42) average. Stocks of dry beans on September 1, 1944, were slightly smaller than a year earlier. Through Amendment 6 to War Food Order 45, effective September 5, 1944, the quantity of certain designated classes of dry edible beans required to be set aside by country shippers for sale to Government agencies during the crop year beginning September 1, 1944, was increased from 25 to 40 percent.

The goal for the acreage of dry field peas for 1945 has recently been announced by the War Food Administration in order to give growers an opportunity to plan their production programs. The goal is for 450,000 acres in 1945 or 40 percent less than the 1944 planted acreage. However, this would still be about 60 percent above the 1937-41 pre-war average acreage.

The 1945 price-support program was also announced and would give growers \$4.50 per 100 pounds U.S. No. 1, dry edible smooth peas of certain varietal types, f.o.b. car, country shipping points. The comparable support price for the 1944 crop was \$5.65 per 100 pounds.

The price received by farmers for dry peas on September 15 of this year was \$4.80 per 100 pounds and this compared with \$4.73 a year earlier. The 1944 crop, estimated at 8,915,000 bags, is 18 percent smaller than the 1943 crop but nearly three times as large as the 10-year average. Stocks of dry peas on September 1, 1944, totaled 1,480,000 bags (bags of 100 pounds) compared with 328,000 a year earlier, according to a survey made by the Crop Reporting Board.

#### SUGAR

Sugar supplies in the United States are likely to remain relatively short so long as (1) the United States is unable to obtain sugar from the Philippines, (2) the sugar beet crops in this country remain much smaller than in pre-war years, (3) Europe's need for imported sugar is abnormally large, (4) the demand for sugar in the United States remains at its present high level.

Total supplies available to the United States for use as food for the crop year beginning October 1, 1944, are not likely to be any larger than they were for the 1943-44 crop year.

The combined outturn of Continental cane and beet sugar from the 1944 harvests is likely to be only a little larger than last year's very short production. The 1944 acreage of sugar beets is slightly larger than the 1943 acreage. The Cuban crop to be ground in the early months of 1945 will be considerably smaller than the unusually large crop ground in 1944.



However, the equivalent of 901,000 tons of raw sugar from Cuba's 1944 crop was used to produce invert molasses for use in manufacturing industrial alcohol for the production of synthetic rubber. If all the necessary alcohol for the coming year can be obtained from other sources, the amount of Cuban sugar available for food uses in 1945 may be about the same as it was in 1944. Also, the 1944-45 cane crop in Puerto Rico may be somewhat larger than the unusually small 1943-44 crop.

Offsetting any increases in the size of crops to be harvested is the considerable reduction in the stocks of sugar in the United States which occurred during the 1943-44 season. Mainland sugar stocks on August 31, 1944, amounted to only 716,000 tons, raw value, as compared with 1,170,000 tons one year earlier. Further reduction in stocks is not feasible if sugar is to move through trade channels in anything like a normal manner.

Also, the European demand for sugar from the Caribbean Islands probably will be stronger in 1944-45 than it was in the previous year. Some of the recently liberated countries obtained part of their supplies from this area in pre-war years. Reduced sugar beet production in Europe in 1944 may make their need for Caribbean sugar even greater than usual.

Civilian consumption of sugar in the United States plus military use and exports has been maintained at a slightly higher level during the first nine months of 1944 than in 1943 or the pre-war (1935-39) average. Total distribution by primary distributors during the period January to September 1944 amounted to 5,605 thousand tons (raw value) as compared with 5,244 thousand during the corresponding period in 1943 and the pre-war (1935-39) average of 5,257 thousand.

#### COTTON

Present indications point to a domestic supply of American cotton in 1944-45 of about 22.2 million running bales, of which about 10.6 million represent carry-over at the beginning of the season and 11.6 million new production. Although this supply is about 500,000 bales larger than last season (most of the increase being in the size of the crop), it is smaller than any other season's supply since 1936-37.

Domestic consumption has continually declined since the peak annual rate of nearly 12 million bales was established in April 1942, and last season totaled slightly under 10 million bales. Despite some recovery in the fall months, consumption in 1944-45 may be somewhat less than last season. Of this amount American cotton will comprise all but about 125,000 to 150,000 bales. The demand for cotton textiles by civilians is such that substantially larger quantities could be readily absorbed. This unfilled demand, plus any increased demand which may arise for textiles for exports, will go far, at least for a time, toward offsetting such cancellation of Army contracts for cotton textiles as will occur following V-E day. Consequently, it is believed that cotton consumption will not slump any time during the current season for lack of a sufficiently strong demand to take at ceiling prices all of the cotton textiles that will be produced.



American cotton will face even keener than normal competition in foreign markets, particularly as ocean shipping space becomes more plentiful. The August 1 world carry-over of foreign cotton totaled nearly 14-1/2 million bales, which compares with slightly more than 12-1/2 million in 1943 and 7-1/2 million in 1939. Since most of this cotton was held in exporting countries, it will be seeking export outlets as soon as conditions permit. The recently enacted Surplus Disposal Bill, which provides that American cotton can be sold for export at world prices, improves American cotton's competitive position abroad, although the effect on U. S. exports after shipping becomes available will be lessened as a result of import interests already having acquired title to considerable cotton in exporting countries. The total world carry-over is likely to be at least somewhat higher in 1945 than a year earlier. The carry-over on August 1, 1944, of 25-3/4 million bales was 1-3/4 million bales larger than the carry-over a year earlier and over 4 million bales larger than the carry-over in 1939.

Although Allied armies have already liberated areas in which cotton textile production was important before the war, the amount of cotton for which these mills will provide an export outlet will be limited by the extent to which the extremely high level of synthetic fiber production is continued, the mechanical condition of the mills, the adequacy of the supply of labor and power, the supply of capital available, and the lag that will be experienced in acquiring repair parts, raw cotton, etc. Consequently, while exports of American cotton are expected to be larger this season than last, it seems unlikely that they will exceed 2 million bales. Even this level would be inadequate to account for the difference between domestic production and consumption with the result that the domestic carry-over of American cotton on August 1, 1945, may be slightly larger than a year earlier.

With cotton being purchased at parity prices by the War Food Administration, producers are assured a favorable return for their 1944 crop. In fact, the crop as estimated in October would, if the price averaged 21.08 cents per pound (the present parity price), have a value of 1-1/4 billion dollars. This is about 11 percent higher than in 1943 and the highest since 1928. On a per-acre basis, gross returns this season promise to be the highest on record. The indicated average of about \$72.50 is 173 percent above the 1909-13 average and 5 percent above the previous high reached in 1919. With cotton support prices tied to parity, as provided for by present legislation, and with but a little decline in parity in prospect, it would seem that a favorable income situation will also prevail next season unless production falls greatly.

Although the outlook for the next year or two is for especially large gross farm returns from cotton, certain highly important unfavorable factors in the longer-time outlook should not be overlooked. Domestically, rayon consumption during the past 10 years has increased from a ratio of 1 pound of rayon for each 14 pounds of cotton in 1933 to 1 pound for each 8 pounds of cotton in 1943, and important gains in rayon and other synthetic fibers are expected to continue during the next several years. At the same time, American cotton will meet increased competition in foreign countries both from synthetic fibers and from foreign cotton. Foreign production of rayon in 1942 was equivalent to roughly 6-3/4 million bales of cotton compared with only 1 million bales in 1932. In 1943-44, the total supply of foreign cotton, nearly 27-1/4 million bales, was 8-1/2 million bales larger than 10 years earlier, compared with the peak foreign mill consumption of all cotton in 1936-37 of 22-3/4 million bales.

## WOOL

Mill consumption of apparel wool in the United States in 1945 probably will be somewhat below the 1944 consumption of about 1 billion pounds (grease basis). Civilian demand and requirements for European rehabilitation are not likely to offset fully the decline in military orders after V-E day. Consumption in the early post-war period, however, will be supported by the return of large numbers of men from the armed services to civilian life, and by the replenishment of inventories of wool manufactures. Hence it probably will be considerably larger than the pre-war annual consumption of close to 600 million pounds and exceed domestic wool production by possibly 300 to 400 million pounds.

Offsetting the favorable demand outlook, however, is the fact that present and prospective world wool supplies are extremely large. When the war ends, the world carry-over of wool may be possibly three times as large as the pre-war average, and world production may be equal to or slightly above the pre-war record level. Such large supplies could greatly depress foreign wool prices and, hence, domestic prices. However, about four-fifths of the carry-over outside of the United States is owned by the British Government, and prices of these wools may be controlled during the period of liquidation. Government policy with respect to wool prices probably will be the dominant factor in the domestic price situation for at least two years following the end of the war. Prices of domestic wool are now being supported at a considerably higher level than prices of comparable foreign wools by the Government's purchase and sales program, and mills are purchasing domestic wools only where specified for Government orders. Stocks of domestic wool are likely to accumulate at a rapid rate as military orders drop, unless some means can be found to restore a more normal relationship between prices of domestic and imported wools.

## TOBACCO

Reflecting the high level of consumption of cigarettes, demand for flue-cured tobacco continues strong and prices paid growers for better grades are above the relatively high level of last year. Demand for inferior leaf, however, particularly on the Old Belt markets of North Carolina and Virginia, has weakened considerably since the opening week of sales. The unusually large crop and heavy deliveries have resulted in considerable congestion on warehouse floors and in re-drying plants, where a severe shortage of labor has been reported. With about two-thirds of the flue-cured crop already sold, it appears that the season average price received by growers will be about 40-1/2 cents per pound, compared with a season average of 40.2 cents for the 1943 crop, and the all-time high of 44.4 cents per pound in 1919. Because of the larger crop this year, flue-cured growers will receive the largest gross income in history. Through October 25 the average price paid growers for tied tobacco (types 11-13) was 41.2 cents per pound, compared with the established ceiling of 43-1/2 cents. Type 14 averaged 36 cents, compared with last year's price and this year's ceiling of 39 cents.



In view of the low level of stocks in importing countries and the probable post-war foreign demand, combined exports of all types of leaf during the years immediately following the war should be substantial. It is probable however, that exports may decline over a longer period of time. Since more than 40 percent of the domestic production of flue-cured is normally exported, prices in the post-war period will depend to an important degree upon export markets.

In view of the probable high level of domestic consumption of most tobacco products and improved export prospects, the outlook for most types of tobacco during the next year or so is favorable. Stocks of aged tobacco are below normal in relation to demand, but with the second largest crop on record this year (now placed at 1,805 million pounds compared with 1,730 million in September), the estimated supply is somewhat above last year. The large crop this year has greatly improved the stocks situation, especially from the standpoint of domestic manufacturers and exporters. Production in 1944 is greater than disappearance during the 1943-44 season. Consequently, with consumption tending to level off, no further reduction in stocks is anticipated.

The high prices paid for tobacco this season and last, and less emphasis upon food and feed crops offer an incentive to farmers to increase production next year, and in view of the high level of consumption and the improved outlook for exports, it appears that somewhat larger acreages of most types could be grown in 1945 and sold at relatively high prices. Greater emphasis next year, however, may be placed upon leaf of higher quality.

Although the immediate post-war outlook for tobacco is bright, growers should not lose sight of the fact that over a longer period of time (perhaps 3-5 years) the situation may not be particularly favorable. In view of the upward trend in foreign production, exports will probably decline after foreign stocks are again built up to normal levels. Should industrial employment and consumer incomes decline appreciably in the early post-war period, stocks and supplies in this country could pile up quite rapidly and prices decline materially.



ECONOMIC TRENDS AFFECTING AGRICULTURE

Item	Unit or base : period :	1943		1944				
		Year	Sept.	June	July	Aug.	Sept.	
Industrial Production <u>1/</u>	: 1935-39:							
Total	: = 100 :	239	244	235	231	232	231	
All manufactures	: " :	258	263	252	247	248	246	
Durable goods	: " :	360	368	354	348	348	344	
Nondurable goods	: " :	176	179	169	165	168	167	
Minerals	: " :	132	138	142	139	142	143	
Construction activity <u>1/</u>	: 1935-39:							
Contracts, total	: = 100 :	123	113	59	66	71	71	
Contracts, residential	: " :	98	86	37	34	32	32	
Wholesale prices <u>2/</u>	: 1935-39:							
All commodities	: = 100 :	128	128	129	129	129	129	
All commodities except farm and food	: " :	119	120	121	121	121	122	
Farm products	: " :	161	162	164	163	161	161	
Food	: " :	135	133	135	134	132	132	
Prices received and paid by farmers <u>3/</u>	: 1910-14:							
	: = 100 :							
Prices received, all prod.	: " :	192	193	193	192	193	192	
Prices paid, int. and taxes	: " :	162	164	170	170	170	170	
Parity ratio	: " :	119	118	114	113	114	113	
Consumer expenditures <u>4/</u>	: 1935-39:							
Total	: = 100 :	155	155	163	---	---	---	
Cost of living <u>5/</u>	: 1935-39:							
Total	: = 100 :	124	124	125	126	126	---	
Food	: " :	138	137	136	137	138	---	
Nonfood	: " :	116	117	120	120	120	---	
Income	: 1935-39:							
Nonagricultural payments <u>4/</u>	: = 100 :	207	211	228	229	231	---	
Cash farm <u>3/</u>	: " :	242	242	275	252	262	---	
Income of Industrial Workers <u>3/</u>	: 1935-39:	305	315	313	306	310	---	
Factory payrolls <u>5/</u>	: = 100 :	337	349	339	331	334	---	
Weekly earnings of factory workers <u>5/</u>	: Dollars:							
All manufacturing	: " :	43.16	44.39	46.27	45.43	45.85	---	
Durable goods	: " :	49.32	51.01	52.17	51.07	51.79	---	
Nondurable goods	: " :	34.12	34.73	37.35	37.04	37.16	---	
Employment	: :							
Total civilian <u>6/</u>	: Million:	52.5	53.0	54.2	55.0	54.0	53.0	
Employees in nonagri. est. <u>5/</u>	: Thous.:	39,677	39,678	38,824	38,730	38,740	38,559	
Farm <u>3/</u>	: " :	10,263	11,502	11,285	11,355	10,608	11,040	
Government finance (Federal) <u>7/</u>	: Mil. dol:							
Receipts, net	: " :	2,879	5,447	6,247	2,163	2,568	5,926	
Expenditures	: " :	7,340	7,535	8,625	8,110	8,119	7,930	

Sources: 1/ Federal Reserve Board; converted to a 1935-39 base. 2/ U.S. Dept. of Labor, B. L. S. 3/ U. S. Dept. of Agriculture, B. A. E. To convert prices received and prices paid interest and taxes to the 1935-39 base, multiply by .93110 and .77640 respectively. 4/ U. S. Dept. of Commerce. 5/ U. S. Dept. of Labor, B. L. S. 6/ U. S. Dept. of Commerce, Bureau of the Census. 7/ U. S. Dept. of Treasury. Data for 1943 are on average monthly basis.

